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SILVER AND THE SAVINGS BANKS.

FOR the first time in their history have the savings banks of the State of New York taken joint action. As a unit they have memorialized Congress in protest against the continued coinage of the standard silver dollar. When the custodians of such a fund—themselves shut out by law from pecuniary interest therein—make common cause against any form of proposed legislation, the evils which it threatens must indeed be serious. These corporations hold in trust for 1,208,000 persons the enormous sum of \$534,000,000. The amount held on deposit in like institutions in Great Britain and Ireland does not aggregate half that sum. It should not be forgotten that this sum does not represent large mercantile transactions, but, generally speaking, the slow accumulations from the pay given for services rendered by more than one-fifth of the population of the Empire State. The number of those interested indirectly in this sum is very much larger, because probably in a majority of cases these depositors represent families. In a practical way, the whole population of that State is interested in the stability of this fund. The coinage law of 1878, popularly known as the Bland Act, remonetizes silver and compels the purchase of silver bullion at its market value of not less than two millions of dollars worth each month, and the coinage of the same, as fast as purchased, into standard silver dollars; the holders of these coins may demand certificates of deposit for the same, which are made receivable for public dues.

The law of 1792 established a proportional value of gold to silver. It was then enacted that such value shall be as 15 to 1, according to quantity, in weight of pure gold or pure silver. This was changed in 1834 as $15 \frac{1}{100}$ to 1. In the year 1853, the gold dollar, weighing $25 \frac{8}{100}$ grains, was made by statute the unit of value. An ounce of standard gold is worth \$18.60, but, as the statutory

relative worth of gold to silver is as $15\frac{3}{100}$ to 1, the coinage value of an ounce of silver is \$1.1639, yet standard silver has been and can be purchased at about ninety cents per ounce, consequently, if the silver dollar of $412\frac{1}{2}$ grains become the unit of value there will be a shrinkage from the present gold unit, a percentage that is indicated by the loss of $26\frac{3}{100}$ cents on \$1.1639 or $22\frac{6}{100}$ per cent. The result will be that every savings bank depositor will, when paid in lawful money, receive in round figures twenty-two per cent. less than he at the present time receives, and the loss to the depositors of these institutions in that State alone will be \$100,551,000, while all articles purchased by him will, however, necessarily be sold at twenty-two per cent. higher in silver than they now bring in gold, because tradesmen will not receive depreciated coin without protecting themselves. In other words, the premium on gold will at once be met by a rise in price. The pay given to labor is always slow to appreciate, and necessarily very gradually adapts itself to a new order of things. This injustice will be suffered by these depositors, the most deserving of encouragement of our citizens, to increase the fortunes of a few persons (comparatively speaking) who, it is believed, do not lack means nor deserve sympathy. If the silver interest is to be promoted at the expense of the whole people, then consistency demands that the coinage of the old-fashioned copper cent should be begun to aid the large copper interest.

As has been stated, silver has been remonetized, and standard silver dollars have the same purchasing power as gold dollars, not by reason of their equal worth, but because the act of 1878 made them "a legal tender at their nominal value for all debts and dues, public and private, except where otherwise expressly stipulated in the contract."

They are receivable for duties, and in time, if their coinage be continued at the present rate, the gold revenue of the United States will cease. The principal and interest on the whole debt must, therefore, be paid in silver, because any one who has silver dollars can get gold for them by using them to make payments at the Custom-house, or by exchanging them with somebody who has to pay duties there.

The United States, by the acts of 1853 and 1873, practically abandoned the double standard. In these laws nothing was said in reference to the standard silver dollar. By the latter law it was

enacted : "The gold coins of the United States shall be a one dollar piece, which, at the standard weight of $25\frac{8}{10}$ grains, shall be the unit of value." Other gold coins are then mentioned, and it is further provided "that the silver coins of the United States shall be a trade dollar, a half-dollar, or fifty-cent piece, a quarter dollar or twenty-five-cent piece, a dime or ten-cent piece," and the weight of each is then given, the standard silver dollar being thus eliminated as "a coin of the United States." After giving the weight of minor coins, the law enacts "that no coins, either of gold or silver or minor coinage, shall hereafter be issued from the mint other than those of the denominations, standards, and weights set forth in this title." Finally, the same law provided that gold coins of the United States should be "a legal tender in all payments at their nominal value, when not below the standard weight and limit of tolerance provided in this act for the single piece." Such silver coins were made "a legal tender at their nominal value, for any amount not exceeding five dollars in any one payment." It has recently been claimed that the silver dollar was omitted from this act surreptitiously ; as a matter of fact, the bill was very elaborately debated, and was twenty-two times before the House and Senate before it became a law. It has also been alleged by the silver advocates that in 1873 the gold dollar of $25\frac{8}{10}$ grains of standard gold was substituted as the dollar of account for the dollar of $41\frac{1}{2}$ grains of standard silver, because it was 3 per cent. cheaper money. When the act of 1873 was passed, there was no substitution ; there was a mere recognition in law of an existing fact, that the gold dollar was then, and had been for nearly half a century, the actual unit of account throughout the country. The act did no wrong to any one. It forced no one to accept cheaper money in payment of debts due him than he had contracted to receive. There could have been no substitution, for at that time there were no dollars in circulation of either silver or gold, and the greenback legal tenders which replaced them promised to pay "dollars," by which word was necessarily understood such dollars as were paid and received in business transactions before the suspension.

The case of the silver dollar at present is entirely different ; to accept that dollar as a unit of account would be a substitution, and at the same time a gross wrong.

The Government, in adopting the Revised Statutes in 1874,

made its choice between the two precious metals, and selected gold coin as the legal tender, at the same time demonetizing the standard silver dollar. These statutes provide : "The gold coins of the United States shall be a legal tender in all payments at their nominal value," etc. "The silver coins of the United States shall be a legal tender at their nominal value for any amount not exceeding five dollars in any one payment" (sections 3585, 3586, U. S. R. S.). It is further claimed that the demonetization of the silver dollar by this law was inadvertent, and that its language should have been more in accordance with the act of 1873. It is fair to state, from the writer's experience in preparing the revision of the banking laws of the State of New York, that this claim is plausible, because it oftentimes is with great difficulty that the intention of a legislature can be ascertained, if at all ; nevertheless the view taken is the proper one. In October, 1874, the Supreme Court held that the basis of our dollar of account is the standard gold dollar of $25\frac{8}{16}$ grains (25 Wall. 259). This decision is not affected by the Bland Act, and remains in force at this time. In accordance with it, the director of the mint now estimates yearly the value of foreign coins by comparing them with the gold dollar.

By the act of 1876 the legal-tender quality of the trade dollar, which contained $7\frac{1}{2}$ more grains than the standard silver dollars, was annulled. From 1793, the time of the first coinage, to 1806 but 1,439,517 silver dollars were coined. From 1806 to 1839, inclusive, 1,300, and from 1840 to 1877, inclusive, 6,605,021 silver dollars were coined ; making a total coinage of \$8,045,838. None were minted during the last four years of that time. During these eighty-four years the total gold coinage at the several mints of the United States was \$983,159,695 and of silver \$208,872,291. From 1878 to 1884, inclusive, 175,355,829 silver dollars were coined, and during the last fiscal year \$28,528,552. It is evident that the silver dollar has not been a favorite, and had been very little used prior to 1878. During a period of thirty-nine years, the standard silver dollar was not in active circulation nor was it considered as a measure of value, because by the act of 1834 the relative value of the silver dollar was increased by diminishing the amount of pure gold in the gold dollar, thereby practically taking the silver dollar out of circulation. There is not a mint in all Europe open to the free coinage of silver.

The fifth section of the law of 1862 provided that all duties received from imported goods should be paid in coin, and this coin was expressly set apart for the payment of interest on the government bonds and notes, and for the annual purchase or payment of one per cent. of the entire debt of the United States, which was set apart as a sinking fund, the interest of which was to be applied in like manner to the purchase or payment of the public debt as the Secretary of the Treasury should direct, and the residue was to be paid into the Treasury.

The act of 1869, passed to strengthen the public credit by pledging the faith of the United States to discharge its just obligations, provided for the payment in "coin or its equivalent"; but the value of the two metals at that time was different from what it now is.

The fifth section of the statute of 1870, commonly termed the funding act, provided that twenty-five per cent. of the gold coin received for certificates may be applied to the payment of a portion of the public debt by the Secretary of the Treasury, and the excess must be retained to meet the sums which may be called for by the holders of such certificates. When our government bonds were issued there was no purpose upon the part of our financial officers to so use words that purchasers would be deceived; the dollars made from the two precious metals were then looked upon as of equal value. The intention evidently was that they should be continued at an equal relative worth.

The bonds authorized by the last-mentioned act were made payable "in coin of the present standard value." Its reasonable interpretation is that the bonds were to be paid in gold or its equivalent, or in silver or its equivalent. The Revised Statutes of 1874 abolished the coinage of the standard silver dollar, and the attempt to make the two metals equivalent was abandoned. But it is absurd to claim by this demonetization that the Government intended to be disingenuous, to use no harsher expression, and thereby compel the public creditor to suffer loss. No one will deny that the bonds were to be paid in coin. Let it be admitted that before the act was adopted, the Government had the choice of paying the same in either gold or silver. From 1874 to 1878, and long before the maturity of some of the bonds, they were constantly being bought and sold in the belief that the Government would respect this law; but silver has now become much less valuable than gold, and it has

not seen fit to so regulate the worth of the standard silver dollar to make it equal to the gold unit of value.

The money repaid to the lender should in equity have the same purchasing power it had when taken by the borrower; any other payment is in derogation of the rights of the public creditor, is a breach of public faith and a national dishonor. To talk of public advantage or profit in this connection is puerile. It is a question not of expediency but of duty.

Is the creditor to be told that the same words are used to name different qualities of the same thing? If there be a difference of opinion as to the meaning of words in an agreement, they should be construed according to the sense in which they were understood at the time the agreement was made. No one will deny that Congress has the power to establish a unit of value; it may determine that the standard silver dollar shall contain 400 or 350 grains, but it would be a flagrant wrong to compel a creditor to accept such dollar. Such enactment, as between private parties, would doubtless be declared void, for the reason that any act of monstrous injustice—*e.g.*, a statute that deprives A of his land and gives it to B without consideration, is contrary to the natural principles of morality and hence unconstitutional, although not expressly prohibited. One party to a contract cannot change its character without the assent of the other, hence the standard of value agreed upon by them at a certain time cannot be modified without the acquiescence of both; and as a nation is not amenable to law in the courts of justice its reputation for integrity should be all the more strictly maintained, if for no other reason than the example it sets. The character of the Roman emperors may be determined, it has been said, by the more or less sound ring of the coin struck during their respective reigns. It is almost a self-evident proposition that any act that injures the commercial standing of a community impairs the value of its obligations.

Previous to the passage of the Bland law, \$1,143,493,400 of the bonds of the Government then unpaid had been purchased by the public at a time when silver was not in use, and \$583,440,350 had been refunded since that time, when gold was the only coin for which they were sold (gold being the legal unit subsequent to 1874) and the understanding between the parties was that the bonds were to be paid in the same coin which was given for them. They were bought with gold at a time when silver was depreciated in

value. Two hundred and twenty-five millions of dollars in bonds, at the reduced rate of four per cent., were offered for sale, which were also purchased by the public with gold coin or its equivalent. While these sales were progressing, a doubt was raised by purchasers as to the intention of the Administration to pay the bonds in gold, when a public announcement was authorized that it was not to be anticipated that any future Congressional legislation "would sanction or tolerate the redemption of the principal of these bonds, or payment of the interest thereon, in coin of less value than the coin authorized by law at the time of the issue of the bonds, being the coin exacted by the Government in exchange for the same." What guarantee can there be save that of an obligation of honor for the payment of these bonds? Certainly payment cannot be enforced by process of law.

The amount of government bonds held by savings institutions of the State of New York aggregates \$140,066,610.

The present proposition, which will result in scaling the debt due for the money eagerly borrowed in time of need, seems to have been made regardless of the question of ordinary business integrity involved, to say nothing of gratitude toward those, without whose aid the efforts of others upon the field would have been fruitless. The men who went forth during the time of the Civil War to maintain the integrity of the Union are the recipients of never-ending praise, but there were others who, as the guardians of financial institutions, bought paper promises of the commonwealth when gold was at the highest premium. This was done with the consent expressed or implied of their beneficiaries, many of them ill able to lose their savings; some with nothing but their small accumulations to protect them from absolute want.

There have been two momentous events in the history of the commonwealth. The first was the enactment of the legal-tender law, and the second, the statute which provided for the resumption of specie payments. By the former, creditors were compelled at one time, in 1864, to accept the equivalent of 35 cents in gold for each dollar loaned previous to the suspension of specie payments, and by the latter, debtors were compelled to pay \$2.85 at the resumption of specie payments, for each dollar borrowed at one time in 1864.

The present coinage act will necessarily bring about results to some extent as disastrous as those which were produced by the two laws just mentioned.

In conclusion, it is submitted that the National Government cannot be too alert to discourage any movement which will check the tendency to wise thrift on the part of savings-banks depositors, all or nearly all of whom are of the poorer portion of its population. The sums held by these banks are to be protected because they stand as barriers to the increase of communism.

Occurrences of the present year strengthen the belief that the contest with the theory of a community of property, or, more accurately speaking, the negation of individual rights in property, may be had at an earlier period than would a short time ago have been deemed possible. The elements of what may result in organized anarchy are already in existence.

WILLIS S. PAINE.